

ORIGINAL

NEW APPLICATION



0000094915

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

COMMISSIONERS

KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

2009 MAR 25 P 3: 56

AZ CORP COMMISSION
DOCKET CONTROL

WS-01303A-09-0152

APPLICATION OF ARIZONA-AMERICAN
WATER COMPANY, AN ARIZONA
CORPORATION, FOR AUTHORITY TO
INCUR LONG-TERM DEBT THROUGH THE
WATER INFRASTRUCTURE FINANCE
AUTHORITY OF ARIZONA.

DOCKET NO. WS-01303A-09-_____

FINANCING APPLICATION

Arizona Corporation Commission

DOCKETED

MAR 25 2009

FINANCING APPLICATION
ARIZONA-AMERICAN WATER COMPANY
MARCH 25, 2009

DOCKETED BY

nr

1. **Introduction.** As more fully set forth below, Arizona-American Water Company ("Arizona-American" or the "Company") hereby applies in accordance with A.R.S. § 40-301 *et seq.*, for authority to be obligated for up to \$2.3 million in debt not previously approved by the Commission.

2. **Supporting Exhibits.** As more fully discussed below, Arizona-American provides the following exhibits in support of its application:

- **Exhibit A** – 2008 Balance Sheet
- **Exhibit B** – 2008 Income Statement
- **Exhibit C** – Draft Certificate of Resolution
- **Exhibit D** – Tubac Arsenic Removal WIFA \$2.3 million Application
- **Exhibit E** – Tubac Water Loss 2008
- **Exhibit F** – Capital Structure Analysis

3. **Company Description.** Arizona-American is a public service corporation engaged in providing water and wastewater utility services in portions of Maricopa, Mohave, and Santa Cruz Counties, Arizona, pursuant to various certificates of public convenience and

necessity granted by the Arizona Corporation Commission (the "Commission") to Arizona-American and its predecessors in interest. The Company presently provides utility service to approximately 100,000 water customers and 50,000 sewer customers in Arizona and is Arizona's largest investor-owned water and wastewater utility. Arizona-American is a wholly-owned subsidiary of American Water Works Company, Inc. ("American Water").

4. **Principal Office.** The Company's principal business office is located at 19820 North Seventh Street, Suite 201, Phoenix, Arizona 85024, and its telephone number is (623) 445-2455.

5. **Authorized Representative.** The person authorized to receive notices and communications regarding this application is:

Thomas M. Broderick
Director, Rates and Regulations
Arizona-American Water Company
19820 N. 7th Street
Suite 201
Phoenix, Arizona 85024
Telephone: (623) 445-2420
Thomas.Broderick@amwater.com

All discovery and other requests for information concerning this Application should be directed to Mr. Broderick, with a copy to undersigned counsel for the Company.

6. **Description of Lender.** Arizona-American proposes to borrow from the Water Infrastructure Finance Authority of Arizona ("WIFA"). WIFA is an independent agency of the state of Arizona and is authorized to finance the construction, rehabilitation and/or improvement of drinking water, wastewater, wastewater reclamation, and other water quality facilities/projects.

7. **Purpose of Borrowing.** Arizona-American has one project for which WIFA funding is requested. The Company recently requested that WIFA approve funds from the 2009 American Recovery and Reinvestment Act Intended Use Plan ("ARRA") and the Company was informed that WIFA requires the Commission's approval of the application herein. The project is an arsenic removal project in Tubac, Arizona which will remove high levels of arsenic from

customer drinking water. (Please note that the Tubac water district has 532 customers, not 352 as incorrectly stated in the WIFA application.) Arizona-American is seeking this funding as a lower cost alternative to other available borrowing sources. As a result of WIFA's administration of a portion of the ARRA, Arizona-American expects to obtain more favorable terms.

8. **Proposed Interest Rate.** WIFA's Board of Directors has established the interest rate as the Prime Interest Rate plus 2.75%. This application seeks an interest rate not to exceed 8%.

9. **Financing Term.** The financing term will not exceed 20 years.

10. **Debt Security.** The proposed debt will be unsecured.

11. **Other Borrowing Terms.** The Company will file a copy of all executed documents associated with the authorized financing. Additionally, as part of WIFA administering funds from the ARRA, approximately one-half of the loan principal will be forgiven and will not accrue interest. Thus, only approximately \$1.15 million of the \$2.3 million will accrue interest. Any loan principal forgiven will be reflected in future arsenic cost recovery mechanisms and rate cases for the Tubac district to the benefit of customers in those water districts through water rates lower than if these projects were funded through alternative sources.

12. **Financial Statements.** Exhibit A is a copy of the Company's unaudited 2008 balance sheet. Exhibit B is a copy of the Company's unaudited 2008 income statement.

13. **DSC and TIER.** As of December 2008, Arizona-American's Debt Service Coverage Ratio ("DSC") was 1.25 and its Times Interest Earned Ratio (TIER") was 0.52 (Earnings before interest and taxes was \$5,715,352, interest was \$10,934,958 and depreciation and amortization was \$18,769,334). Based on its DSC, the Company should be able to adequately cover its expected debt payments from operating cash flow until on-going and future rate cases gradually incorporate the aforementioned investment into rate base.

14. **Corporate Powers.** Exhibit C is a copy of a draft certificate of resolution of Arizona-American's Board of Directors. The Board is expected to approve the resolution at an

1 April 21, 2009, meeting. Upon approval, the approved resolution will be filed with the
2 Commission in this Docket.

3 15. **Compliance.** Arizona-American currently has no outstanding compliance issues
4 with the Commission, the Arizona Department of Environmental Quality, or the Arizona
5 Department of Water Resources.


6 16. **Compatibility.** The proposed transaction is needed to immediately begin
7 construction of projects necessary to serve the public a safe and reliable water supply. The new
8 borrowing is being provided by WIFA at below market interest rates once the principal
9 forgiveness is considered. Therefore, the requested financing approval is compatible with

- 10 • the public interest;
- 11 • sound financial practices; and
- 12 • the proper performance by Arizona-American of service as a public service
13 corporation (and will not impair the Company's ability to perform that service).

14 17. **Prompt Approval.** The Company requests prompt approval in order for its
15 customers to take immediate and full advantage of the ARRA.

16 18. **Requested Relief.** As more fully set forth in this Application, Arizona-American
17 asks that the Commission approve its request under A.R.S. § 40-301 *et. seq* to incur up to \$2.3
18 million in new debt.

19 Respectfully submitted on March 25, 2009, by:

20
21
22 
23 Michael Hallam
24 Lewis and Roca, LLP
25 40 North Central Avenue
26 Suite 1900
27 Phoenix, Arizona 85004
28 (602) 262-5340
29 mhaalam@lrlaw.com
30 Attorney for Arizona-American Water Company
31

1 **Original** and 13 copies filed
2 on March 25, 2009, with:

3
4 Docket Control
5 Arizona Corporation Commission
6 1200 West Washington
7 Phoenix, Arizona 85007
8

9 **Copies** of the foregoing mailed on
10 March 25, 2009, to:


11
12 Legal Division
13 Arizona Corporation Commission
14 1200 West Washington
15 Phoenix, Arizona 85007
16

17 Utilities Division
18 Arizona Corporation Commission
19 1200 West Washington
20 Phoenix, Arizona 85007
21

22 Lyn Farmer
23 Chief Hearing Officer
24 Arizona Corporation Commission
25 1200 West Washington
26 Phoenix, Arizona 85007
27

28 Residential Utility Consumer Office
29 1110 West Washington Street
30 Suite 220
31 Phoenix, Arizona 85007
32

33
34
35 By:


36 Christopher D. Krygier

Arizona-American Water Company
2009 WIFA Financing Application
Exhibit A – Unaudited 2008 Balance Sheet

Arizona-American Water Co.

	Description	Current Year	Prior Year
ASSETS			
1	Utility Plant	727,713,410	678,007,460
2	Construction work in progress	47,941,319	138,077,380
3	Accumulated depreciation	150,417,991	132,514,879
4	Utility plant acquisition adjustment	27,317,972	28,318,082
5	Other utility plant adjustments		
6	Sub-total Utility Plant	652,554,710	593,280,050
7	Non-Utility property		138,301
8	Other investments	235,365	235,473
Current Assets			
10	Cash and cash equivalents	261,810	503,022
11	Temporary investments		
12	Customer accounts receivable	5,553,797	4,188,775
13	Allowance for uncollectible accounts	1,382,840	564,389
14	Unbilled revenues	3,087,814	3,841,051
15	FIT refund due from assoc. companies	1,272,062	2,831,051
16	Miscellaneous receivables	374,881	2,445,842
17	Materials and supplies	929,826	531,287
19	Other		757,732
20	Sub-total	10,097,350	14,534,400
22	Deferred debits		
23	Debt and preferred stock	785,759	870,657
24	Expense of rate proceeding	921,359	912,910
25	Prelim survey & invest charges		193,382
26	Reg Asset-income tax recovery	3,213,825	2,707,144
27	Other	17,970,989	18,369,602
29	Sub-total	22,891,932	23,053,695
30	Total Assets	685,779,357	631,241,919
CAPITAL AND LIABILITIES			
32	Common Stock	522,880	522,880
34	Paid in capital	184,660,286	164,468,228
35	Retained Earnings	30,677,476	27,086,906
36	Unearned Compensation		
37	Reacquired C/S & Accum Comp Inc		
38	Total common equity	154,505,690	137,904,202
39	Preferred stock	186,187,365	194,768,140
40	Long term debt		
41	Total capitalization	340,693,055	332,672,342
42	Current liabilities		
43	Bank debt	51,214,077	19,065,498
44	Current portion of LTD	8,580,775	4,519,474
45	Accounts Payable	8,117,195	7,126,166
46	Taxes accrued	487,409	1,025,327
47	Interest accrued	468,367	602,989
48	Customer deposits	34,953	46,872
49	Dividends declared		
51	Other	11,272,944	4,885,338
52	Sub-total	80,175,720	37,271,664
54	Deferred credits		
55	Customer adv. for construction	191,172,405	207,062,871
56	Deferred income taxes	12,035,708	12,768,842
57	Deferred investment tax credits	56,386	60,106
58	Reg.liab-inc.tax.refund thru rates	196,776	229,560
59	Other	9,591,114	12,063,286
60	Sub-total	188,980,973	208,646,981
62	Contributions in aid of construction	75,929,610	54,650,930
	Total capital and liabilities	685,779,358	631,241,917

Arizona-American Water Company
2009 WIFA Financing Application
Exhibit B – Unaudited 2008 Income Statement

Arizona-American Water Co.

Deprec. + Amort.
 18,551,018 + 218,376 = 18,769,394
 5,715,352 - Operating Income
 Income Tax + 459,661 = 1,694,443
 - 3,134,104

Description	12 Month Actual	12 Month Plan	Variance	12 Month Previous	Annual Forecast
1 OPERATING REVENUES					
2 Water	46,253,455	49,670,578	3,417,123	45,381,440	49,670,578
3 Sewer	19,106,004	21,899,557	2,793,553	15,881,984	21,899,557
4 Other	8,918,154	9,831,359	913,205	8,245,762	9,831,359
5 Management					
6 Total Revenues	74,277,613	81,401,494	7,123,881	69,509,186	81,401,494
7 OPERATIONS & MAINTENANCE EXPENSE					
8 Labor	9,080,217	9,430,613	350,396	8,395,208	9,430,613
9 Purchased Water	2,014,176	3,005,524	890,858	2,162,152	3,005,524
10 Fuel & Power	8,366,904	9,392,356	1,025,452	7,913,683	9,392,356
11 Chemicals	794,204	1,115,683	321,479	1,013,264	1,115,683
12 Waste Disposal	2,345,672	2,599,590	253,918	2,396,638	2,599,590
13 Management Fees	11,620,135	11,958,867	338,732	11,978,348	11,958,867
14 Group Insurance	1,721,725	1,790,862	69,137	1,247,675	1,790,862
15 Pensions	1,737,444	580,441	1,157,203	777,838	580,441
16 Regulatory Expense	550,253	431,639	118,414	338,479	431,639
17 Insurance Other Than Group	764,332	855,417	91,085	654,720	855,417
18 Customer Accounting	2,921,980	1,126,886	1,795,094	1,589,249	1,126,886
19 Rents	519,104	514,811	4,293	280,177	514,811
20 General Office Expense	880,890	651,110	229,780	791,178	651,110
21 Miscellaneous	4,126,035	4,488,231	362,196	3,365,014	4,488,231
25 Other Maintenance	1,427,955	1,588,648	160,693	1,575,725	1,588,648
Total Maintenance & Operations Expense	48,871,026	49,530,188	659,162	44,480,348	49,530,188
27 Depreciation	18,551,018	20,161,565	1,610,547	17,366,117	20,161,565
28 Amortization	218,376	540,950	322,574	30,400	540,950
29 General Taxes	2,616,284	3,013,295	397,011	2,689,309	3,013,295
30 State Income Taxes	439,661	274,899	164,762	1,228,524	274,899
31 Federal Income Taxes	2,134,104	615,966	1,518,138	1,476,996	615,966
32 Tax Savings Acquisition Adjustment					
33 Total Operating Expenses	68,562,261	72,355,133	3,792,872	61,859,154	72,355,133
34 Utility Operating Income	5,715,352	9,046,361	3,331,009	7,650,032	9,046,361
35 OTHER INCOME & DEDUCTIONS					
36 Non-Operating Rental Income				7,113	
37 Dividend Income-Common				1,411,682	1,182,042
38 Dividend Income-Preferred				87,500	
39 Interest Income	807	1,182,042	340,817	254,992	
40 AFUDC Equity	1,522,859		195,763		
42 M & J Miscellaneous Income	195,763		59,961		
43 Gain(Loss)on Disposition	59,961				
45 Total Other Income	1,779,390	1,182,042	597,348	1,076,303	1,182,042
46 Miscellaneous Amortization					
47 Tax Savings Acquisition Adjustment					
48 Misc. Other Deductions	12,000	36,000	24,000	55,157	36,000
49 General Taxes					
50 State Income Taxes					
51 Federal Income Taxes					
52 Total Other Deductions	138,355		138,355	59,635	
53 Total Other Income	150,355	36,000	114,355	4,478	36,000
54 Income Before Interest Charges	1,629,035	1,146,042	482,993	1,080,781	1,146,042
55 INTEREST CHARGES	7,344,387	10,192,403	2,848,016	8,730,813	10,192,403
56 Interest on Long-Term Debt	10,424,452	10,861,913	437,461	11,122,577	10,861,913
57 Amortization and Debt Expense	88,143	8,160	79,983	127,258	8,160
58 Interest-Short Term Bank Debt	1,220,694	1,548,355	327,661	1,186,874	1,548,355
59 Other Interest Expense	54,299	952,201	54,299	210,928	952,201
60 AFUDC-Debt	744,032		208,169	641,256	
61 Total Interest Charges	10,934,958	11,466,227	531,269	11,584,525	11,466,227
62 Net Income	3,590,571	1,273,824	2,316,747	2,853,712	1,273,824
64 Preferred Dividend Declared					
65 Net Income to Common Stock	3,590,571	1,273,824	2,316,747	2,853,712	1,273,824

Arizona-American Water Company
2009 WIFA Financing Application
Exhibit C – Draft Certificate of Resolution

ARIZONA-AMERICAN WATER COMPANY

**UNANIMOUS WRITTEN CONSENT
OF THE
BOARD OF DIRECTORS**

The undersigned, being all of the directors of Arizona-American Water Company (the "Company"), adopt the following resolutions and agree that they shall have the same force and effect as though duly adopted at a meeting of the Board of Directors of the Company duly called and held, said resolutions to become effective when the last director below signs this written consent.

**RESOLUTIONS APPROVING THE COMPANY'S REFINANCING OF EXISTING
DEBT, FINANCING OF CERTAIN CAPITAL PROJECTS WITH AMERICAN
RECOVERY AND REINVESTMENT ACT ("ARRA") FINANCING THROUGH
THE WATER INFRASTRUCTURE FINANCING AUTHORITY ("WIFA") AND
REFINANCING OF SHORT TERM DEBT**

APPROVAL OF REFINANCING OF EXISTING DEBT

WHEREAS, the Company has issued and outstanding promissory notes in the principal amount of approximately \$11 million (the "Outstanding Notes"), and

WHEREAS, the Outstanding Notes are remarketed weekly;
and

WHEREAS, in connection with recent dislocations in the financial markets the Company has been unable to remarket the Outstanding Notes on several occasions; and

WHEREAS, American Water Capital Corporation ("AWCC") is willing to lend the Company up to \$11 million in unsecured funds to refinance the Company's debt represented by the Outstanding Notes, at an estimated interest rate not to exceed 8.0% for a term not to exceed thirty years;

NOW, THEREFORE, BE IT:

RESOLVED, that the borrowing of up to \$11 million from AWCC to refinance the Outstanding Notes is hereby authorized and approved and deemed advisable and in the best interests of the Company and its stockholders.

APPROVAL OF FINANCING OF CERTAIN CAPITAL PROJECTS WITH ARRA FINANCING THROUGH WIFA

WHEREAS, the Company has applied for \$4.3 million of American Recovery and Reinvestment Act of 2009 financing (the "ARRA Financing") through the Water Infrastructure and Finance Authority of Arizona ("WIFA"), which ARRA Financing, if approved, will be used to finance the Company's construction of an arsenic removal facility for its Tubac water system and the replacement of its Sun City Well 8.2; and

WHEREAS, if approved, the ARRA Financing will be at least partially subsidized by the United States and be for a term of 20 years; and

WHEREAS, the proposed ARRA Financing requires debt authorization by the Company and by the Arizona Corporation Commission (the "ACC");

NOW, THEREFORE, BE IT:

RESOLVED, that, subject to approval by the ACC, the borrowing of up to \$4.3 million from WIFA to finance the Company's construction of an arsenic removal facility for its Tubac water system and the rehabilitation of its Sun City Well 8.2 is hereby authorized and approved and deemed advisable and in the best interests of the Company and its stockholders.

APPROVAL OF REFINANCING OF SHORT TERM DEBT

WHEREAS, the Company has experienced a significant shortfall in expected hook up fees related to the White Tanks surface water treatment plant project; and

WHEREAS, the Company was unable to consummate an anticipated partnership arrangement with Maricopa Water District ("MWD") regarding the ownership of the White Tanks surface water treatment plant and, as a result, did not receive a cash payment from MWD for a portion of the development costs incurred by the Company for that project; and

WHEREAS, the Company intended to use funds generated by hook up fees and the anticipated payment from MWD to reduce the Company's short term debt; and

WHEREAS, the Company now proposes to borrow up to \$5 million from third party lenders to refinance the Company's short term debt;

NOW, THEREFORE, BE IT:

RESOLVED, that the borrowing of up to \$5 million from a third party lender or lenders at rates based on the Company's stand alone credit rating to refinance the Company's outstanding short term debt is hereby authorized and approved and deemed advisable and in the best interests of the Company and its stockholders

AUTHORIZATIONS OF OFFICERS

RESOLVED, that the President and Treasurer of the Company are authorized to take such actions as are necessary and desirable to consummate the foregoing three financing arrangements on terms and conditions deemed acceptable by such Officers; and

RESOLVED FURTHER, that the Officers of the Company and their designees are hereby authorized and empowered to apply for and obtain any approvals required for said financings from the ACC or any other regulatory authority and are further authorized to retain the services of outside legal counsel as required to advise in the negotiation, consummation, or regulatory approval of the financings; and

RESOLVED FURTHER, that the Officers of the Company be, and each of them hereby is, authorized and directed to do and perform, or cause to be done and performed, all such acts, deeds and things and to make, execute and deliver or cause to be made, executed and delivered all such agreements or documents in the name and on behalf of the Company or otherwise as each such officer may deem necessary or advisable to effectuate or carry out fully the purpose and intent of the foregoing resolutions, without further authority or approval by the Board of Directors of the Company, the taking of any such actions and the execution and delivery of such agreements and documents to be conclusive evidence of the authority therefore.

IN WITNESS WHEREOF, the undersigned have executed this unanimous written consent effective as of the _____ day of March, 2009.

Christopher Buls

Henry Duque

Duane Georgeson

John Keegan

Paul Townsley

Ellen Wolf

Arizona-American Water Company
2009 WIFA Financing Application
Exhibit D – Tubac Arsenic Removal \$2.3 million WIFA Application

DRINKING WATER APPLICATION
Water Infrastructure Finance Authority of Arizona (WIFA)
Project Financial Assistance Priority List Application

SECTION 1: APPLICATION INFORMATION **APPLICATION NUMBER: DW-115-2009** |  **Print**

1.1 Applicant: Arizona American Water Job Title: Tubac Arsenic Removal

1.2 Contact Names: First Christopher Middle Initial: C Last: Buls

1.3 Address: 19820 N. 7th Street, #201 City: Phoenix State: AZ Zip: 85024

1.4 Phone: (623) 445-2414 Fax: (623) 445-2451 E-Mail: Christopher.Buls@amwater.com

1.5 County in Which Project is Located: Santa Cruz

1.6 Number of Connections to System: 352 Population Served by the System: 1100

1.7 Average Monthly Fee (Base + Use): \$85.27

1.8 Existing Debt (principal only) Payable by System Users: \$0.00

1.9 Median Household Income: \$39,444.00

1.10 ADEQ System Identification Number (PWS #): AZ0412001

1.11 Are you ACC Regulated? ☒ Yes ☐ No

1.12 Has this project received prior year WIFA funding?

☒ No

☐ Yes, request is for a multi-year construction project that received assistance in a previous funding cycle

☐ Yes, request is to construct a project that received TA funds in a previous funding cycle

☐ Yes, request is for additional financial assistance to offset actual costs of justified overruns

1.13 Is your company registered with the E-Verify Program? ☒ Yes ☐ No
(You will be required to provide proof of participation prior to the execution of a loan or grant agreement.)

2.2 Type of loan required during this funding cycle? ☐ Design \$0.00 and/or ☒ Construction \$2,300,000.00

2.3 Briefly summarize below the problem (Mail or upload any supporting documentation)

The company has four points of entry for water into the system. Arsenic testing has shown that three out of the four have levels which exceed federal standards. The Company attempted to obtain a waiver, but this was denied. Average levels ranged from 0.017 mg/L to 0.041 mg/L. The Company is currently working with ADEQ on a consent order.

2.4 Briefly summarize below the Solution

Construct anionic remediation facility within existing well site. Facility consists of two granular iron media vessels with connecting pipe, valves and controls. Project also includes 4,000 foot connecting pipeline to separate wells.

2.5 Project Purpose: *(Select only one)*

- ☒ Assist Non-Compliant Systems to Achieve Compliance
- ☐ Assist Compliant Systems to Meet Future Requirements
- ☐ Assist Compliant Systems to Maintain Compliance
- ☐ Other Assistance Not Compliance Related

SECTION 3: EXISTING CONDITIONS AND PROJECT BENEFITS

3.1 Select Type(s) of Needs to be Funded

- | | | |
|--|---|--|
| <input type="checkbox"/> Planning and Design Only | <input type="checkbox"/> Treatment-Bacteriological | <input type="checkbox"/> Treatment-Surface Water |
| <input type="checkbox"/> Treatment-Nitrate | <input checked="" type="checkbox"/> Treatment-Arsenic | <input type="checkbox"/> Treatment-Radionuclides |
| <input type="checkbox"/> Treatment-Organic Chemical(s) | <input type="checkbox"/> Treatment-Primary Standard [Metals(s)] | <input type="checkbox"/> Treatment-DBP |
| <input type="checkbox"/> Treatment-Other | <input type="checkbox"/> Transmission and Distribution | <input type="checkbox"/> Source |
| <input type="checkbox"/> Storage | <input type="checkbox"/> Purchase of System(s) | <input type="checkbox"/> Restructuring |
| <input type="checkbox"/> Land Acquisition | | |

3.2 Select Expected Project Benefit(s)

- ☒ Compliance - Existing Requirements ☐ Compliance - New Requirements ☐ Expand Service
- ☒ Reduce Public Health Risks

3.3 Water Quality Improvement

- ☒ Proposed project addresses deficiencies identified by ADEQ ☐ Submitted a complete capacity development plan to ADEQ
- ☐ Proposed project includes installing meters to monitor water use

3.4 Consolidation and Regionalization

- ☐ Consolidate physical facilities of existing multiple facilities ☐ Extending service to existing areas currently served by another facility
- ☐ Consolidate the operations of existing multiple facilities ☐ Consolidate the ownership of existing multiple facilities

3.5 System Compliance *must mail or upload supporting documents

- ☒ Notice of violations and/or consent orders from regulatory agency *
- ☐ In compliance

SECTION 4: READINESS TO PROCEED INDICATORS

4.1 Debt Authorization (For more information, see WIFA Debt Authorization Guidance Document)

- ☐ Authorized (mail or upload copy of official governing body debt authorization resolution or election results)
- ☒ Date of Election or Authorization Unknown
- ☐ Scheduled

If scheduled, enter anticipated election or authorization date: _____ [mm/dd/yyyy]

4.2 Project Design (Select only one)

- ☒ Completed
 ☐ Engineer Selected
 ☐ Date of Completion Unknown
 ☐ Scheduled for Completion
 Enter anticipated completion date: _____ [mm/dd/yyyy]

4.3 Applicable Plan and Specification Approvals (Select only one)

- ☐ Obtained (mail or upload approval notification)
☐ Date of Approval Unknown
☐ Not Applicable (use textbox below to explain)
☒ Scheduled to Obtain Permits
 If scheduled, enter anticipated permit(s) date: 4/1/2009 _____ [mm/dd/yyyy]
 If not applicable, then explain: _____

4.4 Project Bids (Select only one)

- ☒ Solicited Project for Bidding
 ☐ Date of Solicit Unknown
 ☐ Scheduled to Solicit Bid(s)
 If scheduled, enter anticipated bid award date: _____ [mm/dd/yyyy]

SECTION 5: REQUESTED AMOUNT AND CERTIFICATION/APPROVAL

5.1 Estimated Date WIFA Funding Required: 7/1/2009 [mm/dd/yyyy]

5.2 Estimated Financial Assistance Costs & Funding Source (Soft costs)

Funding Source	Project Costs
Amount Funded Locally:	\$0.00
Amount Requested from WIFA:	\$2,300,000.00
Other Source:	\$0.00
Total Cost:	\$2,300,000.00

5.3 As the Authorized Representative, I certify that the information contained in this application is, to the best of my knowledge, true, accurate, and correct.

First Name _____ Last Name _____ Title _____
 Christopher _____ Buls _____ Vice President of Finance _____

5.4 Uploaded Supporting Documents

Reference Name	Document Name	Original Name	Date Added
AZAM - Tubac	DOC-510001.doc	WIFA Attachment - AZ Letterhead.doc	3/5/2009

Authorized Signature: Christopher Buls Date: March 6, 2009

ADDENDUM TO PPL APPLICATION
Water Infrastructure Finance Authority of Arizona (WIFA)
American Recovery and Reinvestment Act (ARRA)

Community Name:	Arizona American Water	Date:	Friday, 03/06/2009 @ 08:59 AM
Project Contact:	Christopher Buls	Phone:	(623) 445-2414
Project ID:	DW-115-2009	Email:	Christopher.Buls@amwater.com
Project Title:	Tubac Arsenic Removal		

Should this Application be considered for American Recovery and Reinvestment Act funds? ☒ Yes ☐ No . If Yes, complete the following questions below. If you have selected 'No', skip to the bottom of this addendum and select submit.

As stated in the cover letter, the purpose of the Act is to provide funds that will stimulate job creation through swift initiation of infrastructure projects. The citation below requires WIFA to provide preference to those purposes.

SECTION 1: PREFERENCE FOR QUICK START

ARRA Sec. 1602. In using funds made available in this Act for infrastructure investment, recipients shall give preference to activities that can be started and completed expeditiously, including a goal of using at least 50 percent of the funds for activities that can be initiated not later than 120 days after the date of the enactment of this Act. Recipients shall also use grant funds in a manner that maximizes job creation and economic benefit.

1.1 As of February 17, 2009, when will your project be prepared to start construction?

☐ Already Started ☐ Within 60 days ☐ Within 120 days ☐ Within 180 days ☐ Within 365 days

To enter into a loan agreement, organizations must have debt authorization. If you are not sure what this requires for your organization, refer to WIFA's documents "WIFA Debt Authorization Guidance Document" and "Sample Debt Authorization Resolution."

1.2 Do you currently have debt authorization? ☐ Yes ☒ No . If no, when will do you plan on receiving debt authorization? Prior

to: ☐ March, 3 2009 ☐ March 17, 2009 ☐ April 14, 2009 ☐ May 19, 2009 ☒ June 16, 2009 ☐ Other

1.3 After the start of construction, when will construction be completed and/or the final loan disbursement be requested from WIFA?

☐ Within 6 months ☐ Within 1 year ☐ Within 2 years ☐ Within 3 years

SECTION 2: USE OF AMERICAN IRON, STEEL, AND MANUFACTURED GOODS

ARRA Sec. 1605. Use of American Iron, Steel, and Manufactured Goods. (a) None of the funds appropriated or otherwise made available by this Act may be used for a project for the construction, alteration, maintenance, or repair of a public building or public work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States. (b) Subsection (a) shall not apply in any case or category of cases in which the head of the Federal department or agency involved finds that--

- applying subsection (a) would be inconsistent with the public interest;
- iron, steel, and the relevant manufactured goods are not produced in the United States in sufficient and reasonably available quantities and of a satisfactory quality; or
- inclusion of iron, steel, and manufactured goods produced in the United States will increase the cost of the overall project by more than 25 percent.
- If the head of a Federal department or agency determines that it is necessary to waive the application of subsection (a) based on a finding under subsection (b), the head of the department or agency shall publish in the Federal Register a detailed written justification as to why the provision is being waived.
- This section shall be applied in a manner consistent with United States obligations under international agreements.

2.1 Are you willing to include this "Use of American Iron, Steel, and Manufactured Goods" requirement in your plans and specification documents and provide supporting documentation that you have complied with this requirement? ☒ Yes ☐ No

If No, please provide a brief explanation below:

- 2.2 If you have already solicited bids, was this requirement included? ☐ Yes ☒ No If No, would you be willing to re-bid? ☒ Yes ☐ No
- If No, please adjust your answer in Section 1, if necessary.

SECTION 3: WAGE RATE REQUIREMENT

Sec. 1606. Notwithstanding any other provision of law and in a manner consistent with other provisions in this Act, all laborers and mechanics employed by contractors and subcontractors on projects funded directly by or assisted in whole or in part by and through the Federal Government pursuant to this Act shall be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor in accordance with subchapter IV of chapter 31 of title 40, United States Code. With respect to the labor standards specified in this section, the Secretary of Labor shall have the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (64 Stat. 1267; 5 U.S.C. App.) and section 3145 of title 40, United States Code.

- 3.1 Are you willing to include this "Wage Rate Requirement" in your plans and specification documents and provide supporting documentation that you have complied with this requirement? ☒ Yes ☐ No
- If No, please provide a brief explanation below:

- 3.2 If you have already solicited bids, was this requirement included? ☐ Yes ☒ No If No, would you be willing to re-bid? ☒ Yes ☐ No
- If No, please adjust your answer in Section 1, if necessary.

SECTION 4: POTENTIAL PROJECT DELAYS

- 4.1 To your knowledge, are there any issues such as NEPA compliance, SHPO compliance, Permit requirements, etc, that could possibly delay your project? ☐ Yes ☒ No
- If yes, please explain briefly below:

SECTION 5: REPORTING REQUIREMENTS

5.1 Each Calendar quarter during construction, you will be required to provide a report outlining at a minimum the following information:

- Completion status of the project
- Estimated number of jobs created each quarter
- Estimated number of jobs retained since the last quarter

Will you be capable of providing this type of reporting? ☒ Yes ☐ No

5.2 Please estimate the total number of jobs 15 that will be created or retained if this project receives ARRA funding and provide a brief explanation below:

We would expect 15 jobs to be created during construction.

SECTION 6: GREEN, EFFICIENT, INNOVATIVE PROJECTS

6.1 Does your project address any of the following: green infrastructure, water or energy efficiency improvements or other environmentally innovative activities? ☒ Yes ☐ No

6.2 Sustainability Infrastructure Practices

A. Water Re-Use & Conservation - Project/System

The use of improved technologies and practices to deliver equal or better services with less water.

- ☒ project will generate or utilize reclaimed water for direct re-use
- ☐ project will correct water loss issues
- ☐ project will enhance water conservation program(s)

B. Energy Use & Conservation (Efficiency)

Includes capital projects that reduce the energy consumption of eligible water quality projects or produce clean energy used by a treatment works

- ☐ project will significantly improve system efficiency
- ☐ project will employ significant alternative energy sources and/or co-generation efforts
- ☐ project will include an Energy Audit

C. Green Practices (Green Infrastructure)

Green Infrastructure includes a wide array of practices at multiple scales that manage wet weather to maintain and restore natural hydrology by infiltrating, evapotranspiring and capturing and using stormwater.

- ☐ project will address stormwater through green infrastructure practices

Percentage of Project

20 _____

D. Environmentally Innovative Projects

Projects that demonstrate new and/or innovative approaches to managing water resources in a more sustainable way, including projects that achieve pollution prevention or pollutant removal at the least life-cycle costs, subject to environmental review results. Includes approaches to incorporate green infrastructure into drinking water, stormwater and wastewater utility infrastructure and management.

- ☐ project utilizes solid waste reduction alternatives
☐ project meets EPA "Green Building" practices
☐ other: _____

6.3 As the Authorized Representative, I certify that the information contained in this application is, to the best of my knowledge, true, accurate, and correct.

First Name	Last Name	Title
Christopher	Buls	Vice President of Finance
Authorized Signature: <u>Christopher Buls</u>		Date: <u>March 6, 2004</u>

This Application Addendum must be printed, signed and returned to WIFA within 5 days of electronic submittal

Arizona-American Water Company
2009 WIFA Financing Application
Exhibit E – Tubac Water Loss 2008

Description	Quantity of Water (Kgal)												
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
Production													
Water Treatment													0
Wells	6,441	5,767	7,504	9,071	11,872	12,693	8,038	7,668	7,974	9,378	8,410	6,497	101,313
Purchased Water													0
In-Plant Usage	0	0	(3)	(16)	(13)	(11)	0	0	(1)	0	0	0	(44)
Mixing Chemicals - Field	0	0	0	0	0	0	0	0	0	0	0	0	0
Well Pumped Waste	0	0	0	0	0	(10)	0	0	0	0	0	0	(10)
Net Production	6,441	5,767	7,501	9,055	11,859	12,672	8,038	7,668	7,973	9,378	8,410	6,497	101,259
Sales													
Residential	3,790	4,221	4,081	5,199	6,107	7,845	7,637	5,768	5,011	5,395	6,955	5,272	67,281
Commercial	1,239	1,312	1,536	2,012	2,278	3,802	2,138	1,792	1,480	1,555	1,971	1,722	22,837
Industrial													0
Fire Service													0
OPA													0
Resale													0
Miscellaneous													0
Total Sales	5,029	5,533	5,617	7,211	8,385	11,647	9,775	7,560	6,491	6,950	8,926	6,994	90,118
Total Non-Revenue Water	1,412	234	1,884	1,844	3,474	1,025	(1,737)	108	1,482	2,428	(516)	(497)	11,141
Ratio Non-Revenue Water	22%	4%	25%	20%	29%	8%	-22%	1%	19%	26%	-6%	-8%	11.0%
Authorized Unbilled/Consumption													
Flushing Mains	2	0	5	4	4	0	52	0	2	0	4	3	76
Identified Fire Usage	0	6	11	6	16	16	17	15	10	8	11	4	120
Vandalism	0	0	0	0	0	0	0	0	0	0	0	0	0
Street Cleaning	0	0	0	0	0	0	0	0	0	0	0	0	0
Draining Storage Tanks	0	0	0	0	0	0	0	0	9	0	5	0	14
Online Analyzers & Chlorinators	0	0	0	0	0	0	0	0	0	0	0	0	0
Field Meter Testing	0	0	0	0	0	0	0	0	0	0	0	0	0
Fire Hydrant Maintenance	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Water Losses	2	6	16	10	20	16	69	15	21	11	20	7	213
Ratio Unsold & Authorized vs Produced	22%	4%	25%	20%	25%	8%	-22%	1%	18%	26%	-6%	-8%	10.8%
Identified Leakage	0	0	2	2	15	53	68	213	171	185	151	99	959
Tank Overflows	0	0	0	0	0	0	0	0	0	0	0	0	0
Unaccounted For Water													
Gallons	1,410	228	1,867	1,832	3,439	956	(1,874)	(120)	1,290	2,232	(687)	(603)	9,970
Percentage	21.89%	3.96%	24.88%	20.23%	29.00%	7.54%	-23.32%	-1.56%	16.18%	23.80%	-8.17%	-9.29%	9.85%

Negative numbers indicate quantity or percentage above production or 100%

Arizona-American Water Company
2009 WIFA Financing Application
Exhibit F – Capital Structure Analysis

Arizona-American Water Company Docket No. WS-01303A-09-_____ Application for Financing				Exhibit F	
	[A] ¹	[B] ²	[C] ³	Reference	
1	Operating Income	\$5,715,352	\$0	\$5,715,352	Exhibit B: Row 34
2	Depreciation & Amortization	\$18,769,394	\$0	\$18,769,394	Exhibit B: Row 27 + Row 28
3	Income Tax Expense ⁴	\$0	\$0	\$0	
4					
5	Interest Expense	\$10,934,958	\$794,498	\$11,729,456	Exhibit B: Row 61
6	Repayment of Principal	\$8,580,775	\$0	\$8,580,775	Exhibit A: Row 44
7					
8	TIER	0.52		0.49	(Ln1 + Ln3) / Ln5
9	DSC	1.25		1.21	(Ln1 + Ln2 + Ln3) / (Ln5 + Ln6)
10	Cash Coverage Ratio	2.24		2.09	(Ln1 + Ln2 + Ln3) / Ln5
11					
12					
13	Short-term Debt	\$59,794,852	\$0	\$59,794,852	No change in STD
14					
15	Long-term Debt	\$186,187,365	\$1,150,000	\$187,337,365	LTD + \$1.15M from WIFA ⁵
16					
17	Common Equity	\$154,505,690	\$0	\$154,505,690	No change in CE
18					
19	Total Capital	\$400,487,907		\$401,637,907	Ln13 + Ln15 + Ln17
20					
21					
22					
23					
24	Capital Structure Before & After WIFA Financing				
25	STD	\$59,794,852	14.93%	\$59,794,852	14.89%
26	LTD	\$186,187,365	46.49%	\$187,337,365	46.64%
27	CE	\$154,505,690	38.58%	\$154,505,690	38.47%
28	Total	\$400,487,907		\$401,637,907	
29					
30					
31					
32					
33	1 - Column A is based on 2008 financial information for year ended December 31, 2008				
34	Please note that new revenue from rate cases completed in 2008 have not been annualized in column B.				
35					
36	2 - Column B is projected WIFA funding				
37					
38	3 - Column C sums Column A and Column B				
39					
40	4 - The reported 2008 income tax expense is negative \$1,694,443				
41					
42	5 - LTD assume that original \$2.3M debt is forgiven by 50% due to ARRA, thus only add \$1.15M to LTD				